



**American International Companies®**

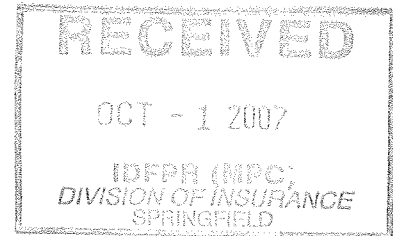
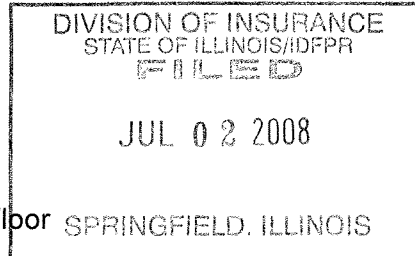
DBG Legal Services  
State Filings Department  
175 Water Street, 17th Floor  
New York, NY 10038  
212.458. (Direct Dial)

September 25, 2007

Honorable Michael T. McRaith  
Director of Insurance  
Illinois Department of Insurance  
320 West Washington Street, 4<sup>th</sup> Floor  
Springfield, Illinois 62767-0001

Attn: Mr. John Gatlin

Supervisor, Property and Casualty Compliance Unit



**RE: AMERICAN HOME ASSURANCE COMPANY.**

NAIC #012-19380, FEIN #13-5124990 ✓  
Psychoanalysts Professional Liability Program  
Rates  
Our File Number: AIC-07-EO-22

Dear Mr. Gatlin:

American Home Assurance Company (the "Company") has on file with your Department its Psychoanalysts Professional Liability Program (the "Program"). The Company submits, for your review and approval, its rates to be used with this Program. Please be advised that this filing replaces the rates currently on file with your Department.

Please refer to the attached actuarial materials for information about the rates.

We wish to make this filing effective for all policies effective on or after November 1, 2007, or the earliest date permitted by your Department.

Your favorable consideration and approval are respectfully requested.

Sincerely,


  
Myron Harry

Filings Analyst  
State Filings Department  
Direct dial (212) 458-7057  
Fax No.: (212) 458-7077  
[myron.harry@aig.com](mailto:myron.harry@aig.com)



**Property & Casualty Transmittal Document (Revised 1/1/06)**

## 2. Insurance Department Use only



- a. Date the filing is received:

b. Analyst:

c. Disposition:

d. Date of disposition of the filing:

e. Effective date of filing:

## New Business

## Renewal Business

f. State Filing #:

g. SERFF Filing #:

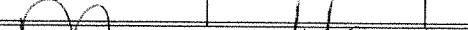
#### h. Subject Codes

ing: RECEIVED  
OCT - 1 2007  
IDPR (NPO)  
DIVISION OF INSURANCE  
SPRINGFIELD

3.	Group Name	Group NAIC #		
	American International Group, Inc.	012		
4.	Company Name(s)	Domicile	NAIC #	FEIN #
	American Home Assurance Company	NY	19380	13-5124990

5.	Company Tracking Number	AIC-07-EO-22
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**Contact Info of Filer(s) or Corporate Officer(s)** [include toll-free number]

6.	Name and address	Title	Telephone #s	Fax #	e-mail
	Myron Harry 175 Water Street, 17th Fl. New York, NY 10038	Filings Analyst	(212) 458-7057	(212) 458-7077	Myron.harry@aig.com
7.	Signature of authorized filer				
8.	Please print name of authorized filer		Myron Harry		

**Filing information** (see General Instructions for descriptions of these fields)

9.	Type of Insurance (TOI)	11.0 – Medical Malpractice			
10.	Sub-Type of Insurance (Sub-TOI)	11.0029 – Other			
11.	State Specific Product code(s)(if applicable)[See State Specific Requirements]				
12.	Company Program Title (Marketing title)	Psychoanalysts Professional Liability Program			
13.	Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other			
14.	Effective Date(s) Requested	New:	November 1, 2007	Renewal:	November 1, 2007
15.	Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
16.	Reference Organization (if applicable)				
17.	Reference Organization # & Title				
18.	Company's Date of Filing	September 25, 2007			
19.	Status of filing in domicile	<input checked="" type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

Effective March 1, 2007

### ATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	AIC-07-EO-22
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	

☒ Rate Increase

☐ Rate Decrease

☐ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	
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4a. Rate Change by Company (As Proposed)						
Company Name	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
American Home Assurance Company	3.0%	\$14,136	145	\$471,186	3.0%	3.0%

4b. Rate Change by Company (As Accepted) For State Use Only						
Company Name	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a.	Overall percentage rate impact for this filing		
5b.	Effect of Rate Filing – Written premium change for this program		
5c.	Effect of Rate Filing – Number of policyholders affected		

6.	Overall percentage of last rate revision	5.0%
7.	Effective Date of last rate revision	09/07/06
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	

9.	Rule # or Page # Submitted for Review	Replacement or Withdrawn?	Previous state filing number, if required by state
01	Rate Page 1	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	

Change in Company's premium or rate level produced by rate revision effective

\$14,136

11/1/07 -  
REVISED  
TO  
7/2/08

(1) Coverage	(2) Annual Premium Volume (Illinois)*	(3) Percent Change (+ or -)**
1. Automobile Liability		
Private Passenger		
Commercial		
2. Automobile Physical Damage		
Private Passenger		
Commercial		
3. Liability Other Than Auto	\$471,186	+ 3%
4. Burglary and Theft		
5. Glass		
6. Fidelity		
7. Surety		
8. Boiler and Machinery		
9. Fire		
10. Extended Coverage		
11. Inland Marine		
12. Homeowners		
13. Commercial Multi-Peril		
14. Crop Hail		
15. Other <u>Medical Malpractice</u>		
Line of Insurance		

Does filing only apply to certain territory (territories) or certain classes? If so, specify:

Applies to all territories and classes.

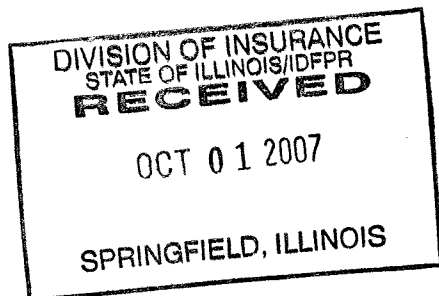
Brief description of filing. (If filing follows rates of an advisory organization, specify organization):

Base Rate Increase of 3%.

Psychologists

\* Adjusted to reflect all prior rate changes.

\*\* Change in Company's premium level which will result from application of new rates.



American Home Assurance Co  
Name of Company

Filings Analyst  
Official-Title

**Neuman, Gayle**

---

**From:** Neuman, Gayle  
**Sent:** Monday, July 07, 2008 7:28 AM  
**To:** 'Harry, Myron'  
**Subject:** RE: Filing #AIC-07-EO-22

The filing will be effective as of July 2, 2008.

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**From:** Harry, Myron [mailto:Myron.Harry@AIG.com]  
**Sent:** Thursday, July 03, 2008 11:56 AM  
**To:** Neuman, Gayle  
**Subject:** RE: Filing #AIC-07-EO-22

Ms. Neuman,

If possible, could we have an effective date of July 2, 2008. Thanks.

---

**From:** Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]  
**Sent:** Thursday, July 03, 2008 12:26 PM  
**To:** Harry, Myron  
**Subject:** RE: Filing #AIC-07-EO-22

Our Director signed off on July 2, 2008. Please indicate the effective date you are requesting.

Gayle Neuman  
Division of Insurance

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**From:** Harry, Myron [mailto:Myron.Harry@AIG.com]  
**Sent:** Thursday, July 03, 2008 10:54 AM  
**To:** Neuman, Gayle  
**Subject:** RE: Filing #AIC-07-EO-22

Ms. Newman,

This filing has not been in effect, we are awaiting your approval.

Myron Harry

---

**From:** Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]  
**Sent:** Thursday, July 03, 2008 11:23 AM  
**To:** Harry, Myron  
**Subject:** Filing #AIC-07-EO-22

M. Harry,

The above referenced filing was submitted to the Division of Insurance on September 25, 2007. You had requested an effective date of November 1, 2007.

This filing review has been completed and will be filed. Did you put this filing into effect on November 1, 2007? I

am only asking because many companies give us an effective date, but then actually wait until we have completed our review before implementing it - which is not required.

Your prompt attention is appreciated.

Gayle Neuman  
Property & Casualty Compliance, Division of Insurance  
Illinois Department of Financial & Professional Regulation  
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (<http://www.idfpr.com/>) by clicking on: Insurance; Industry; Regulatory; IS3 Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

THIS MESSAGE IS INTENDED FOR THE SOLE USE OF THE ADDRESSEE AND MAY BE CONFIDENTIAL, PRIVILEGED AND EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAWS. IF YOU RECEIVE THIS MESSAGE IN ERROR, PLEASE DESTROY IT AND NOTIFY US BY SENDING AN E-MAIL TO: [Gayle.Neuman@illinois.gov](mailto:Gayle.Neuman@illinois.gov)

**Neuman, Gayle**

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**From:** Harry, Myron [Myron.Harry@AIG.com]  
**Sent:** Thursday, November 08, 2007 4:02 PM  
**To:** Neuman, Gayle  
**Subject:** RE: American Home Assurance Co - Psychoanalysts - Filing #AIC-07-EO-22  
**Attachments:** 11-07 IL Certification.pdf; 11-07 IL Rate Page.pdf

Ms. Neuman,

In response to your email, we offer the following:

1. Attached please find a signed Illinois Certification.
2. American Home Assurance Company is a member of statistical agencies and rating bureaus such as ISO and NCCI and reports its data to those organizations accordingly. Psychoanalysts Professional Liability is an independent program and as such reports its data to ISO as non-bureau (policy type 90).
3. Please be advised that the Rate page consist of one page.
4. Please see a copy of the Rate Sheet which was submitted with our filing. The rates are calculated based off the number of outpatient visits. The base rate correspond to the \$100,000/\$300,000 limit. For the base limit, the insured is charged .494 for the first 5,000 visits, .396 for the next 3,000 and .356 for the next 8,000 visits and over. For example, if an insured has 9,000 visits, they would be charged  $.494*5,000 + .496*3,000 + .356*1,000 = 4,014$ .

Thank you for your patience with this filing. Please lets us know if we can be of any further assistance.

Thanks again.

Myron Harry

-----Original Message-----

**From:** Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]  
**Sent:** Wednesday, October 03, 2007 12:18 PM  
**To:** myron.harry@aig.com  
**Subject:** American Home Assurance Co - Psychoanalysts - Filing #AIC-07-EO-22

Mr. Harry,

We are in receipt of the above referenced filing submitted via your letter dated September 25, 2007. Please address the following issues for us to continue our review of this filing:

1. 215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.
2. Please indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?
3. With all submissions, you should provide a copy of every page of such manual section even if other pages are not changed. The edition date of that page would remain as it was previously filed.
4. In regard to the School/Institute rates, what is the base rate (and applicable limits) used to compute the

amount of premium?

We request receipt of your response by October 12, 2007.

Gayle Neuman  
Property & Casualty Compliance, Division of Insurance  
Illinois Department of Financial & Professional Regulation  
(217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (<http://www.idfpr.com/>) by clicking on: Insurance; Industry; Regulatory; IS3 Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

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**AMERICAN HOME ASSURANCE COMPANY  
PSYCHOANALYSTS PROFESSIONAL LIABILITY  
ILLINOIS**

**I. PSYCHOANALYSTS PROFESSIONAL LIABILITY RATES**

LIMITS OF LIABILITY	RATE
\$200,000/\$600,000	2,325
\$1,000,000/\$1,000,000	3,836
\$1,000,000/\$3,000,000	4,229
\$2,000,000/\$2,000,000	4,568
\$2,000,000/\$3,000,000	4,695
\$2,000,000/\$4,000,000	4,822
\$2,000,000/\$5,000,000	4,949
\$2,000,000/\$6,000,000	5,076
\$3,000,000/\$3,000,000	5,073
\$3,000,000/\$4,000,000	5,200
\$3,000,000/\$5,000,000	5,327
\$4,000,000/\$4,000,000	5,470
\$4,000,000/\$5,000,000	5,597
\$5,000,000/\$5,000,000	5,813

**II. SCHOOL/INSTITUTE/SOCIETY RATES**

**A. SCHOOL/INSTITUTE**

LIMITS OF LIABILITY	RATES BASED ON OUTPATIENT VISITS
\$100,000/\$300,000	0.494 first 5,000 visits
	0.396 next 3,000 visits
	0.356 next 8000 visits and over
\$500,000/\$500,000	0.633 first 5,000 visits
	0.506 next 3,000 visits
	0.456 next 8000 visits and over
\$1,000,000/\$1,000,000	0.732 first 5,000 visits
	0.585 next 3,000 visits
	0.527 next 8000 visits and over
\$1,000,000/\$3,000,000	1.204 first 5,000 visits
	0.963 next 3,000 visits
	0.867 next 8000 visits and over

Minimum Policy Premium - \$750 for \$1,000,000/\$1,000,000  
\$1,000 for \$1,000,000/\$3,000,000

**B. SOCIETIES**

LIMITS OF LIABILITY	PREMIUM
\$500,000/\$500,000	335
\$1,000,000/\$1,000,000	515
\$1,000,000/\$3,000,000	773

**III. ADDITIONAL COVERAGES**

ECT - Electroconvulsive Therapy Coverage - An additional charge of 25%  
Part-Time Psychoanalysts- 50% for psychoanalysts practicing 20 hours or  
less per week

**IV. ADDITIONAL INSURED CHARGES:**

Landlord: 20% of the policy premium  
Corporation with Other Employees: 40% of the policy premium  
Additional Insured: 20% of the policy premium. Only applies to School/Institute/Society

**V. ADMINISTRATIVE HEARING**

INCREASED LIMITS	RATE
\$10,000	\$175
\$25,000	\$500

**Neuman, Gayle**

---

**From:** Harry, Myron [Myron.Harry@AIG.com]  
**Sent:** Friday, October 12, 2007 2:39 PM  
**To:** Neuman, Gayle  
**Subject:** RE: American Home Assurance Co - Psychoanalysts - Filing #AIC-07-EO-22

Ms. Neuman,

We acknowledge receipt of your email on the above-referenced filing. Due to the high volume of filings that we are presently working on, we would like to request that the date to respond to your comments be extended to October 19, 2007. Thank you.

Myron Harry

-----Original Message-----

**From:** Neuman, Gayle [mailto:Gayle.Neuman@illinois.gov]  
**Sent:** Wednesday, October 03, 2007 12:18 PM  
**To:** myron.harry@aig.com  
**Subject:** American Home Assurance Co - Psychoanalysts - Filing #AIC-07-EO-22

Mr. Harry,

We are in receipt of the above referenced filing submitted via your letter dated September 25, 2007. Please address the following issues for us to continue our review of this filing:

1. 215 ILCS 5/155.18 states it shall be certified in this filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.
2. Please indicate if your company has a plan for the gathering of statistics or the reporting of statistics to statistical agencies? If yes, what stat agency is being used?
3. With all submissions, you should provide a copy of every page of such manual section even if other pages are not changed. The edition date of that page would remain as it was previously filed.
4. In regard to the School/Institute rates, what is the base rate (and applicable limits) used to compute the amount of premium?

We request receipt of your response by October 12, 2007.

Gayle Neuman  
 Property & Casualty Compliance, Division of Insurance  
 Illinois Department of Financial & Professional Regulation  
 (217) 524-6497

Please refer to the Property and Casualty Review Requirement Checklists before submitting any filing. The checklists can be accessed through the Department's website (<http://www.idfpr.com/>) by clicking on: Insurance; Industry; Regulatory; IS3 Review Requirements Checklists; Property Casualty IS3 Review Requirements Checklists.

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10/22/07 Ms. Myron Harry called to request an extension. She said management is arguing over who needs to sign the certification. Extend to 10/26/07.

10/26/07 Ms. Myron Harry called again to request a week extension.

11/05/07 Ms. Myron Harry called again to request an extension. She believes it will be sent before 11/09/07.

**Neuman, Gayle**

---

**From:** Harry, Myron [Myron.Harry@AIG.com]  
**Sent:** Monday, October 22, 2007 9:20 AM  
**To:** Neuman, Gayle  
**Subject:** American Home Assurance Co - Psychoanalysts - Filing #AIC-07-EO-22

Ms. Newman,

Confirming our telephone conversation of today, thank you for agreeing to an extension of our response to your comments to October 26, 2007 for the above-referenced filing.

**Myron Harry**  
*Filings Analyst*  
*State Filings Department*  
*American International Companies®*  
*175 Water Street, 17<sup>th</sup> Floor*  
*☎ (212) 458-7057 / 📠 (212) 458-7077*  
*<mailto:myron.harry@aig.com>*

Please visit our Website at:  
<http://www.aig.com>

**IMPORTANT NOTICE:**

*The information in this email (and any attachments) is confidential. If you are not the intended recipient, you must not use or disseminate the information. If you have received this email in error, please immediately notify me by "Reply" command and permanently delete the original and any copies or printouts thereof. Although this email and any attachments are believed to be free of any virus or other defect that might affect any computer system into which it is received and opened, it is the responsibility of the recipient to ensure that it is virus free and no responsibility is accepted by American International Group, Inc. or its subsidiaries or affiliates either jointly or severally, for any loss or damage arising in any way from its use.*

## ILLINOIS CERTIFICATION FOR MEDICAL MALPRACTICE RATES

(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.

I, Adam C. Reed, a duly authorized officer of National Union Fire Insurance Company of Pittsburgh, Pa., am authorized to certify on behalf of the Company making this filing that, to the best of my knowledge and belief, all documents contained herein comply with the Illinois laws, regulations and bulletins applicable to this filing.

I, Peter McNamara, a duly authorized actuary of National Union Fire Insurance Company of Pittsburgh, Pa., am authorized to certify on behalf of National Union Fire Insurance Company of Pittsburgh, Pa., making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the Illinois laws, regulations and bulletins applicable to this filing the policy rates that are the subject of this filing.

Adam Reed Assistant Vice President  
Signature and Title of Authorized Insurance Company Officer

11/5/07  
Date

Peter McNamara Assistant Actuary  
Signature, Title and Designation of Authorized Actuary

11/6/07  
Date

Insurance Company FEIN 25-0687550

Filing Number AIC-07-E0-22

Insurer's Address 70 Pine Street

City New York State New York Zip Code 10270

Contact Person's:

-Name and E-mail Myron Harry myron.harry@aig.com

-Direct Telephone and Fax Number (212) 458-7057 (212) 458-7077

**American Home Assurance Company**  
**Psychoanalysts Professional Liability**

**Explanatory Memorandum**  
**ILLINOIS**

American Home Assurance Company is proposing to increase the base rates for the Psychoanalysts Professional Liability Program by 3%.

**Exhibit 1: CALCULATION OF INDICATED RATE LEVEL CHANGE**

Ultimate developed, trended and on-level results are shown for countrywide and state loss experience for this program. Countrywide and state earned premiums have been adjusted to each state's present rate level by using the standard parallelogram method. Incurred Losses and Lae are trended to one year past the proposed effective date, in order to reflect changes in frequency and severity subsequent to the experience period. The indicated rate level change is based on a comparison of the credibility weighted loss ratio to the expected loss ratio. An offset for investment income is applied to the calculation of the target profit & contingency. The calculation of profit is based on the company's target rate of return of 15%.

**Exhibit 2: DEVELOPMENT OF REPORTED INCURRED LOSS AND LAE TO ULTIMATE**

Countrywide and state calculation of ultimate loss and LAE ratios are shown for the most recent five years. Ratios are based on calendar year earned premiums and accident year ultimate loss and LAE, including unallocated LAE (ex. 6).

**Exhibit 3: INCURRED LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT**

Accident Year Loss and Allocated Loss Adjustment Expense experience for Psychoanalysts Professional Liability is shown as of 6/2007, along with age to age factors and the corresponding age to ultimate development factors (exhibit 3A). These factors are then applied to the countrywide (exhibit 3A) and state (exhibit 3B) loss experience for Psychoanalysts Professional Liability.

**Exhibit 4: TREND ANALYSIS**

Calculation of annual frequency/severity trend is based on the most recent policy year experience for Healthcare Professional Liability Programs. The least squares method has been used to measure the average change in frequency and severity. The trend period extends from the midpoint of each accident year to one year beyond the assumed effective date.

**Exhibit 5: EXPENSE PROVISIONS AND DETERMINATION OF EXPECTED LOSS RATIO**

Expense provisions are based on the expenses found for Medical Malpractice in the American Home/National Union/ New Hampshire Group's Insurance Expense Exhibit. The commission expense is program specific. The expected loss & lae ratio is the complement of the total expenses and profit load. The profit & contingency factor has been calculated based on a target rate of return on equity of 15%.

**Exhibit 6: DETERMINATION OF UNALLOCATED LOSS ADJUSTMENT EXPENSE FACTOR**

The unallocated loss adjustment expense provision is determined using data from the Healthcare cost statements for the five most recent years. The factor is expressed as a percentage of total incurred losses and allocated loss adjustment expense.

**Exhibit 7: INVESTMENT INCOME EXHIBITS**

The investment income exhibits are based on American Home/ National Union/ New Hampshire Group's Annual Statement experience and incorporate the Medical Malpractice premium and program expense provisions to determine an indicated investment income offset. The calendar year method was used to determine investment income.

AMERICAN HOME ASSURANCE COMPANY  
PSYCHOANALYSTS PROFESSIONAL LIABILITY  
(\$ IN 000'S)  
DETERMINATION OF RATE LEVEL INDICATION

Exhibit 1

ILLINOIS

	Accident Year	(1) Basic Limits Premium at Present Rates (Note A)	(2) Basic Limits Ultimate Loss & LAE (Exhibit 2)	(3)=(2)/(1) Ultimate Loss & LAE Ratio	(4) Trend Factor (Exhibit 4) (Note B)	(5)=(3)*(4) Trended Loss & LAE Ratio	Weight
	COUNTRYWIDE						
(1)	2002	2,922	1,887	0.646	1.404	0.906	
(2)	2003	3,122	1,334	0.427	1.330	0.568	
(3)	2004	2,929	1,463 (E)	0.499	1.261	0.630	0.20
(4)	2005	2,887	1,466 (E)	0.508	1.195	0.607	0.30
(5)	2006	2,941	1,970 (E)	0.670	1.133	0.759	0.50

ILLINOIS

(1)	2002	283	15	0.055	1.404	0.077	
(2)	2003	279	1	0.002	1.330	0.003	
(3)	2004	255	96 (E)	0.376	1.261	0.474	0.20
(4)	2005	241	111 (E)	0.460	1.195	0.550	0.30
(5)	2006	266	166 (E)	0.623	1.133	0.706	0.50

	ILLINOIS	CW
(6) Weighted Average Ultimate Trended Loss and LAE Ratio	0.613	0.688
(6a) Credibility Weights (Note C):	0.000	0.286
(6b) Credibility Weighted Ultimate Loss & LAE Ratio (Note D):	0.723	
(7) Target Loss & LAE Ratio [Exhibit 5]	0.694	
(8) Indicated Rate Level Change [ (6b)/7 ] - 1	4.3%	
(9) Selected Rate Level Change	3.0%	

NOTES:

- (A) The calculation of premium at present rates is done using the parallelogram method.  
 (B) Trend periods extend from the midpoint of each accident year to one year past the assumed effective date. (Exhibit 4).  
 (C) The credibility standard is 683 claims for the experience period.  
     State Credibility = Square Root(0/683)      CW Credibility = Square Root(56/683)  
 (D) Credibility Weighted Ultimate Loss & LAE Ratio =  
     [State(6)\*State(6a) + CW(6)\*CW(6a) + {1 - State (6a) - CW(6a)} \* Trended ELR ]  
 (E) Bornheutter-Ferguson Methodology used to develop ultimate loss & lae, i.e.,  
     Ultimate Loss & LAE=EPXELRX[1-1/LDF] + reported incurred loss & lae

**AMERICAN HOME ASSURANCE COMPANY**  
**PSYCHOANALYSTS PROFESSIONAL LIABILITY**

(\$ IN 000'S)

**DETERMINATION OF ULTIMATE LOSS AND LOSS ADJUSTMENT EXPENSE RATIOS**

**ILLINOIS**

Accident Year	(1) Basic Limits Earned Premium	(2) Basic Limits Reported Incurred Loss & ALAE (Exhibit 3)	(3) Loss Development Factors (Exhibit 3A)	(4)=(2)*(3) Ultimate Loss & L.A.E. (Incl. 1.3% Unalloc L.A.E.)	(5)=(4)/(1) Ultimate Loss & L.A.E. Ratio
COUNTRYWIDE					
2002	1,840	1,255	1.485	1,887	1.026
2003	2,108	682	1.933	1,334	0.633
2004	2,339	357	2.152	777	0.332
2005	2,641	136	2.899	399	0.151
2006	2,867	135	8.888	1,216	0.424
Total	11,795	2,564		5,612	0.476

**ILLINOIS**

2002	153	10	1.485	15	0.101
2003	171	0	1.933	1	0.004
2004	191	0	2.152	0	0.000
2005	215	0	2.899	0	0.000
2006	254	0	8.888	0	0.000
Total	983	11		16	0.016



IMTS INCURRED LOSSES & LOSS ADJUSTMENT EXPENSE AS OF 6/2007

	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258	270	282	294	306	318	330
1	0	2	40	120	348	387	391	406	424	621	522	526	526	526	626	656	664	664	664	664	664	664	664	664	664	664	664	664
2	0	11	90	144	182	240	396	513	495	467	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	466	664
3	21	39	101	332	368	582	806	1,078	1,046	917	1,066	1,021	1,146	1,166	1,170	1,177	1,164	1,190	1,429	1,429	1,439	1,443	1,443	1,443	1,443	1,443	1,443	664
4	7	29	384	606	832	813	1,303	1,329	1,338	1,478	1,509	1,597	2,222	2,238	2,258	2,402	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528	2,528
5	0	68	214	739	1,491	1,630	1,544	1,475	1,611	1,765	2,191	2,381	2,404	2,424	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425	2,425
6	13	19	137	351	747	962	1,146	1,047	1,166	1,435	1,692	1,632	1,634	1,836	1,812	1,796	1,796	1,796	1,796	1,796	1,796	1,796	1,796	1,796	1,796	1,796	1,796	1,796
7	0	15	58	105	266	238	387	543	513	619	670	681	780	999	1,001	1,001	1,003	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002	1,002
8	0	1	132	238	674	1,091	1,177	1,216	1,326	1,499	1,514	1,588	1,587	1,789	1,838	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846	1,846
9	0	75	50	212	326	274	423	529	673	686	686	686	686	686	687	687	687	687	687	687	687	687	687	687	687	687	687	687
10	0	38	394	576	794	1,148	1,354	1,549	1,567	1,520	1,581	1,583	1,583	1,583	1,585	1,588	1,646	1,701	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804	1,804
11	0	2	164	202	327	605	981	1,100	1,014	999	1,050	1,204	1,201	1,201	1,201	1,205	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207
12	23	89	343	770	1,329	1,495	1,521	1,599	1,599	1,619	1,624	1,624	1,624	1,624	1,624	1,634	1,634	1,634	1,634	1,634	1,634	1,634	1,634	1,634	1,634	1,634	1,634	1,634
13	0	100	301	484	488	781	1,141	1,657	1,939	1,947	1,925	1,985	1,995	2,159	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166	2,166
14	0	125	63	259	194	243	262	473	678	595	773	751	752	752	752	752	752	752	752	752	752	752	752	752	752	752	752	752
15	15	152	424	659	1,071	1,383	1,830	2,204	2,094	2,101	2,153	2,162	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207	2,207
16	49	100	593	872	859	969	979	1,042	1,051	1,023	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087
17	0	25	200	478	731	1,009	1,482	1,476	1,611	1,565	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567	1,567
18	7	156	137	460	499	989	1,289	1,521	1,467	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840
19	0	73	744	1,261	1,890	1,680	1,690	1,697	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647	1,647
20	0	261	237	569	814	1,063	1,332	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414	1,414
21	75	182	531	1,148	1,212	1,410	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630	1,630
22	100	339	661	724	837	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255	1,255
23	0	45	270	580	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682	682
24	0	23	303	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357	357
25	0	164	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136	136
26	0	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135	135
27	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

RED LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT

	6-18	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-114	114-126	126-138	138-150	150-162	162-174	174-186	186-198	198-210	210-222	222-234	234-246	246-258	258-270	270-282	282-294	294-306	306-318	318-330	
80	1.000	17.472	2.992	2.901	1.113	1.010	1.037	1.045	1.464	0.841	1.007	1.000	1.000	1.191	1.047	1.013	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
81	1.000	8.397	1.600	1.265	1.317	1.651	1.297	0.965	0.942	0.998	1.000	1.000	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
82	1.862	2.574	3.297	1.108	1.381	1.386	1.338	0.970	0.877	1.162	0.938	1.122	1.018	1.003	1.006	0.989	1.022	1.201	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
83	47.628	1.998	1.905	1.573	2.117	1.080	1.019	1.007	1.105	1.021	1.324	1.112	1.007	1.009	1.064	0.969	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
84	4.459	13.257	1.577	1.374	0.977	1.442	1.044	0.942	1.016	1.093	1.247	1.092	1.018	1.038	0.924	1.234	1.003	1.006	1.008	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.160	
85	33827.500	3.161	3.458	2.017	1.093	0.947	0.955	1.092	1.096	1.241	1.087	1.010	1.008	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
86	1.504	7.181	2.567	2.126	1.287	1.191	0.914	1.114	1.248	1.163	0.965	1.001	1.124	0.987	0.991	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
87	1.000	3.781	1.833	2.521	0.896	1.625	1.403	0.945	1.207	1.082	1.016	1.146	1.280	1.002	1.000	1.002	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
88	166.400	182.600	1.368	2.831	1.618	1.078	1.033	1.090	1.131	1.010	1.048	1.000	1.127	1.027	1.004	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
89	1.000	6.668	4.212	1.537	0.838	1.546	1.251	1.273	1.020	1.060	1.000	1.000	1.001	0.903	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
90	1.000	10.258	1.462	1.379	1.446	1.179	1.144	1.012	0.969	1.041	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
91	315.000	104.063	1.235	1.614	1.851	1.622	1.121	0.922	0.985	1.052	1.146	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
92	3.973	3.836	2.244	1.697	1.018	1.125	1.018	1.051	1.013	1.003	1.000	1.000	1.036	0.971	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
93	3.010	1.608	1.007	1.600	1.462	1.452	1.170	1.004	0.989	1.003	1.028	1.005	1.082	1.003	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
94	20784.667	0.507	4.104	0.748	1.249	1.081	1.805	1.432	0.877	1.300	0.971	1.001	1.002	1.002	1.036	1.034	1.061	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
95	10.148	2.784	1.554	1.625	1.292	1.323	1.205	0.950	1.003	1.025	1.004	1.021	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
96	0.615	2.068	5.905	1.471	0.985	1.127	1.011	1.065	1.008	0.974	1.062	1.001	0.971	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
97	-5038.600	-7.940	2.389	1.529	1.381	1.469	0.996	1.091	0.971	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
98	22.286	0.878	3.352	1.084	1.984	1.302	1.180	0.964	1.255	1.000	1.000	1.000	0.971	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
99	1.000	10.249	1.694	1.498	0.889	1.006	1.004	0.971	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
100	1.000	0.910	2.397	1.432	1.305	1.254	1.061	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
101	2.417	2.918	2.161	1.056	1.163	1.156	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
102	3.389	1.949	1.097	1.156	1.499	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
103	1.000	6.037	2.149	1.174	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
104	226.800	13.352	1.178	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
105	1.000	0.829	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	

**AMERICAN HOME ASSURANCE COMPANY**  
**PSYCHOANALYSTS PROFESSIONAL LIABILITY**  
(\$ IN 000'S)

Exhibit 3B

**ILLINOIS**

**BASIC LIMITS INCURRED LOSSES & LOSS ADJUSTMENT EXPENSE AS OF 6/2007**

Accident Year	6	18	30	42	54	66	78	90	102	114
1998	0	0	0	0	0	38	43	30	30	30
1999	0	0	75	223	474	395	395	395	395	
2000	0	0	0	0	0	75	96	120		
2001	0	0	0	0	0	0	0			
2002	0	0	85	10	10	10				
2003	0	0	0	0	0					
2004	0	0	0	0						
2005	0	0	0							
2006	0	0								
2007	0									

**INCURRED LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT**

Accident Year	6-18	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-114
1998	1.000	1.000	1.000	1.000	80.467	1.147	0.701	1.000	1.000
1999	1.000	1.000	2.963	2.123	0.833	1.001	1.000	1.000	
2000	1.000	1.000	1.000	1.000	1.000	1.280	1.245		
2001	1.000	1.000	1.000	1.000	1.000	1.000			
2002	1.000	245.214	0.121	1.000	1.000				
2003	1.000	1.000	1.000	1.000					
2004	1.000	1.000	1.000						
2005	1.000	1.000							
2006	1.000								
Average ex hi/lo	1.000	1.000	1.000	1.000	1.000	1.074	1.000		
4 Yr Average	1.000	62.054	0.780	1.000	0.958	1.107			
3 Yr Average	1.000	1.000	0.707	1.000	1.000	1.093	0.982		
2 Yr Average	1.000	1.000	1.000	1.000	1.000	1.140	1.123	1.000	

**AMERICAN HOME/NATION/ UNION/ NEW HAMPSHIRE GRO  
HEALTH PROFESSIONAL LIABILITY PROGRAMS**

Exhibit 4

**Calculation of Annual Trend Factor**

(in \$000's)

Countrywide as of 12/2006

**Total Limits Frequency Trend**

(1)	(2)	(3)	(2)/(3)	(4)
Policy Year	Ultimate Incurred Claims	Number of Policies	Incurred Claims Per 100 Policies	Exponential Curve of Best Fit
2001	464	18,143	2.55603	3.37024
2002	1,618	27,661	5.85101	4.49231
2003	2,320	34,095	6.80526	5.98797
2004	3,059	36,929	8.28286	7.98158
2005	3,702	39,719	9.32062	10.63894
2006	3,601	25,914	13.89431	14.18103
Average Annual Change in Claim Frequency			[ R Squared = 0.88818427 ]	33.29%

**Total Limits Severity Trend**

(1)	(2)	(3)	(3)/(2)	(4)
Policy Year	Ultimate Incurred Claims	Ultimate Incurred +Lae Losses	Ultimate Incurred +Lae Losses per Claim	Exponential Curve of Best Fit
2001	464	31,744	68.5	49.9
2002	1,618	50,852	31.4	41.7
2003	2,320	77,795	33.5	34.7
2004	3,059	81,215	26.6	29.0
2005	3,702	75,600	20.4	24.2
2006	3,601	93,848	26.1	20.1
Average Annual Change in Claim Severity			[ R Squared = 0.67142459 ]	-16.60%

OVERALL COMBINED TREND [Frequency x Severity]

11.17%

5500%

**AMERICAN HOME ASSURANCE COMPANY  
PSYCHOANALYSTS PROFESSIONAL LIABILITY**

Exhibit 5

**Derivation of Expected Loss Ratio**

(1) Target rate of return on equity	15.0%
(2) Premium to Surplus Ratio	109.9%
(3) Target rate of return on premium [(1)/(2)]	13.6%
(4) Rate of return on premium	7.7%
(5) Target underwriting profit (loss) [(3)-(4)/.65]	9.2%
(6) Selected underwriting profit (loss)	5.0%
(7) Total Expenses	25.6%
a. Commissions	14.50%
b. Other Acquisition	4.99%
c. General Expenses	1.78%
d. Taxes, Licenses & Fees	4.36%
(8) Expected Loss Ratio [1-(6)-(7)]	69.4%

**Expenses from Countrywide American Home/National Union/New Hampshire Group IEE**

(in 000's)	2006		2005		2004		3 Yr. Wght. Avg.
Expense	\$	%	\$	%	\$	%	%
Written Premium	142,907	----	122,052	----	134,980	----	----
Other Acquisition	8,079	5.65%	6,126	5.02%	5,768	4.27%	4.99%
General Expenses	2,480	1.74%	2,293	1.88%	2,340	1.73%	1.78%
Taxes, Licenses and Fees	7,636	5.34%	5,483	4.49%	4,325	3.20%	4.36%

**AMERICAN HOME/NATIONAL UNION W HAMPSHIRE GROUP**  
**HEALTHCARE**  
(000's)

Exhibit 6

Determination of Unallocated Loss Adjustment Expense Provision  
(SOURCE: COMPANY COST STATEMENTS)

ITEM		2002	2003	2004	2005	2006	5-year Average
(1)	Losses Paid	186,248	241,104	271,474	175,786	206,975	216,317
(2)	Changes in Unpaid Losses	138,853	212,932	273,715	465,082	52,387	228,594
(3)	Losses Incurred (1) + (2)	325,101	454,036	545,189	640,868	259,362	444,911
(4)	Allocated Loss Adjustment Expenses	56,436	77,932	76,023	68,936	72,293	70,324
(5)	Total Loss & ALAE (3) + (4)	381,537	531,968	621,212	709,804	331,655	515,235
(6)	Unallocated Loss Adjustment Expenses	4,665	7,428	7,550	5,547	7,136	6,465
(7)	Unallocated Loss Expense Ratio (6)/(5)	1.2%	1.4%	1.2%	0.8%	2.2%	1.3%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

A. UNEARNED PREMIUM RESERVE

1.	Medical Malpractice Direct Earned Premium for Calendar Year 2006		\$138,603
2.	Mean Unearned Premium Reserve [0.314* (1) ] (See Notes p. 2)		43,527
3.	Deduction for Prepaid Expenses (See notes p. 2)		
	a) Commission and Brokerage	14.50%	
	b) Taxes, Licenses and Fees	4.36%	
	c) 50% of Other Acquisition Expenses	2.50%	
	d) 50% of General Expenses	0.89%	
	e) Total	22.25%	
4.	Deduction for Federal Taxes Payable (See Notes p. 2)		7.0%
5.	Net Amount Subject to Investment Income [ (2) x (1.000 - (3) - (4)) ]		30,796

B. DELAYED REMISSION OF PREMIUMS (Agents' Balances)

1.	Direct Earned Premium [ (A.1) ]	138,603
2.	Average Agents' Balance (See Notes pp. 2-3)	0.159
3.	Delayed Remission [ (1) x (2) ]	22,066

C. LOSS RESERVE:

1.	Direct Earned Premium [ (A.1) ]	138,603
2.	Expected Incurred Loss and L.A.E. Reserves	@ ELR: 0.694 96,143
3.	Expected Mean Loss Reserves [1.427 x (2) ] (See Notes p. 3)	137,222

D. SURPLUS

1.	Direct Written Premium	142,907
2.	Surplus Subject to Investment [(D.1)/prem to surp]	130,034

E. NET AMOUNT SUBJECT TO INVESTMENT: [ (A.5) - (B.3) + (C.3) + (D.2) ] 275,986F. AVERAGE RATE OF RETURN ON INVESTED ASSETS (See Notes p. 4) 4.56%G. INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT [ (E) x (F) ] 12,589H. AVERAGE RATE OF RETURN (As % of Direct Earned Premium) [ (G) / (A.1) ] 9.08%I. AVERAGE RATE OF RETURN (After Federal Income Taxes) [ (H) x 0.871 ] 7.91%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

Line A.1

MEDICAL MALPRACTICE direct earned premium for calendar year 2006 as provided by American Home/National Union/ New Hampshire Group.

Line A.2

The mean direct unearned premium reserve is determined by multiplying the Medical Malpractice direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for 2006. See below for calculation of this ratio. This ratio is based on data for Medical Malpractice from page 15 of the Annual Statement for American Home/National Union/ New Hampshire Group

	(In 000's)
1. Direct Earned Premium for Calendar Year 2006	\$ 138,603
2. Direct Unearned Premium Reserve as of 12/31/05	23,287
3. Direct Unearned Premium Reserve as of 12/31/06	63,767
4. Mean Direct Unearned Premium Reserve 1/2 [(2) + (3)]	43,527
5. Ratio [(4) / (1)]	0.314

Line A.3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of the filed insurance coverage exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedure as shown.

Line A.4

Deduction for Federal Taxes Payable:

Taxable percentage of unearned premium reserves (Tax Reform Act of 1986):	20.0%
Corporate Tax Rate:	35.0%
Total Percentage of Unearned Premium Reserve:	7.0%

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premiums beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. (continued)

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

Line B.2 (continued)

Agents' balances or uncollected premiums for premiums due less than 90 days are calculated as follows:

	(In 000's)
1. Net Earned Premium for Calendar Year 2006	\$ 21,215,096
2. Net Agents' Balances as of 12/31/05	2,422,685
3. Net Agents' Balances as of 12/31/06	2,845,895
4. Mean Agents' Balances $1/2 \times [(2) + (3)]$	2,634,290
5. Ratio $[(4) / (1)]$	0.124

The above percentage must be multiplied by a factor of 1.282 to include the effect of agents' balances or uncollected premiums overdue for more than 90 days. The factor 1.282 is based on 2006 company data.

Final adjusted Agents' Balance:	0.1592
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Line C.2

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing.

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (C.2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2004 and 2005 for Medical Malpractice Insurance. This ratio is based on Annual Statement Data.

	(In 000's)
1. Incurred Losses and L.A.E. for Calendar Year 2005	39,477
2. Incurred Losses and L.A.E. for Calendar Year 2006	204,914
3. Loss Reserves and L.A.E. as of 12/31/04	50,628
4. Loss Reserves and L.A.E. as of 12/31/05	77,903
5. Loss Reserves and L.A.E. as of 12/31/06	482,785
6. Mean Loss Reserve 2005: $1/2 [(3) + (4)]$	64,266
7. Mean Loss Reserve 2006: $1/2 [(4) + (5)]$	280,344
8. Ratio $(6) / (1)$	1.628
9. Ratio $(7) / (2)$	1.368
10. Average Ratio $1/2 [(8) + (9)]$	1.498
11. Loss reserve for American Home/National Union/ New Hampshire Group, selected	1.500
12. Estimated Reserve Discount	13.9%
13. Federal Taxes Payable (% of Reserves): $(12) \times .35$	0.048
14. $(11) \times [1.0 - (13)]$	1.427



ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

Line E

The rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends, and real estate income due and accrued).

<u>Year</u>	<u>Net Investment Income Earned (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
2005	1,958,547	48,226,323	4.06%
2006	2,207,870	57,914,122	3.81%
Total	4,166,417	106,140,446	3.94%

<u>Year</u>	<u>Realized Capital Gains (or Losses) (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
1997-2006	2,179,232	348,904,381	0.62%

Total Rate of Return:

Net Investment Income Earned and Net Realized Capital Gains (or Losses)

4.56%

Line H

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2006 for the American Home/National Union/ New Hampshire Group.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.94%	0.094
Net Realized Capital Gains (or Losses)	0.62%	0.350
Total	4.56%	0.129

1.000 - Federal Income Tax Rate

0.871

ESTIMATED INVESTMENT EARNINGS ON UNEARNED  
PREMIUM RESERVES AND ON LOSS RESERVES  
(Explanatory Notes)

## MEDICAL MALPRACTICE

Line H (continued)

	Investment Income Earned	Federal Income Tax Rate
<u>Bonds</u>		
Taxable	\$ 208,168	0.350
<u>Non-Taxable</u>	<u>1,338,765</u>	<u>0.026</u>
Total	\$ 1,546,933	(A) 0.070
<u>Stocks</u>		
Taxable	\$ 168,925	0.123
<u>Non-Taxable</u>	<u>266,967</u>	<u>---</u>
Total	\$ 435,892	(B) 0.048
<u>Mortgage Loans and Real Estate</u>		
Mortgage Loans	\$ 0	
Real Estate	0	
Collateral Loans	0	
Cash on Deposit	0	
Short Term Investments	21,719	
<u>All Other</u>	<u>503,234</u>	
Sub-Total	\$ 524,953	0.350
Total	\$ 2,507,777	0.125
Investment Deductions	\$ 299,907	0.350
Net Investment Income Earned	\$ 2,207,870	0.094

(A) Assume 50% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at the full corporate income tax rate of 35%. The applicable tax rate is thus 2.6%.  $((.50 \times .15 \times .35) = .026)$

(B) 30% of dividend income is subject to the full corporate income tax rate of 35%. Assume 50% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus 12%  $((.30 \times .35) + (.50 \times .70 \times .15 \times .35) = .123)$ .

**AMERICAN HOME ASSURANCE COMPANY  
PSYCHOANALYSTS PROFESSIONAL LIABILITY  
ILLINOIS**

**I. PSYCHOANALYSTS PROFESSIONAL LIABILITY RATES**

LIMITS OF LIABILITY	RATE
\$200,000/\$600,000	2,325
\$1,000,000/\$1,000,000	3,836
\$1,000,000/\$3,000,000	4,229
\$2,000,000/\$2,000,000	4,568
\$2,000,000/\$3,000,000	4,695
\$2,000,000/\$4,000,000	4,822
\$2,000,000/\$5,000,000	4,949
\$2,000,000/\$6,000,000	5,076
\$3,000,000/\$3,000,000	5,073
\$3,000,000/\$4,000,000	5,200
\$3,000,000/\$5,000,000	5,327
\$4,000,000/\$4,000,000	5,470
\$4,000,000/\$5,000,000	5,597
\$5,000,000/\$5,000,000	5,813

**II. SCHOOL/INSTITUTE/SOCIETY RATES**

**A. SCHOOL/INSTITUTE**

LIMITS OF LIABILITY	RATES BASED ON OUTPATIENT VISITS
\$100,000/\$300,000	0.494 first 5,000 visits
	0.396 next 3,000 visits
	0.356 next 8000 visits and over
\$500,000/\$500,000	0.633 first 5,000 visits
	0.506 next 3,000 visits
	0.456 next 8000 visits and over
\$1,000,000/\$1,000,000	0.732 first 5,000 visits
	0.585 next 3,000 visits
	0.527 next 8000 visits and over
\$1,000,000/\$3,000,000	1.204 first 5,000 visits
	0.963 next 3,000 visits
	0.867 next 8000 visits and over

Minimum Policy Premium - \$750 for \$1,000,000/\$1,000,000  
\$1,000 for \$1,000,000/\$3,000,000

**B. SOCIETIES**

LIMITS OF LIABILITY	PREMIUM
\$500,000/\$500,000	335
\$1,000,000/\$1,000,000	515
\$1,000,000/\$3,000,000	773

**III. ADDITIONAL COVERAGES**

ECT - Electroconvulsive Therapy Coverage - An additional charge of 25%  
Part-Time Psychoanalysts- 50% for psychoanalysts practicing 20 hours or  
less per week

**IV. ADDITIONAL INSURED CHARGES:**

Landlord: 20% of the policy premium  
Corporation with Other Employees: 40% of the policy premium  
Additional Insured: 20% of the policy premium. Only applies to School/Institute/Society

**V. ADMINISTRATIVE HEARING**

INCREASED LIMITS	RATE
\$10,000	\$175
\$25,000	\$500

